



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

SCRUTINY COMMISSION  
COUNCIL  
WARDS AFFECTED: ALL WARDS

8 December 2016  
10 January 2017

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### Local Council Tax Support Scheme

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#### Report of the Head of Finance

#### 1. PURPOSE OF REPORT

- 1.1 To provide an update on the current Local Council Tax Support Scheme (LCTS) and to seek approval that the current level of support (88%) is maintained from 2017/18 or that it is reduced to a level no lower than 80%, for the reasons stated in the report.

#### 2. RECOMMENDATION

- 2.1 Members consider the options provided and endorse the retention of the current level of maximum Council Tax support at 88% or a reduction to a level no lower than 80% as from 1 April 2017 for approval by Council on 10 January 2017.

#### 3. BACKGROUND TO THE REPORT

- 3.1 Local Council Tax Support helps those on low incomes to pay their council tax. In 2013, LCTS replaced the old Council Tax Benefit scheme, in which the Government set rules about who could claim help towards their council tax bill. Hinckley and Bosworth Borough Council (HBBC) is part of the Leicestershire & Rutland Welfare Practitioners Group (LRWPG), which has been directed by the Leicestershire Treasurers group to review the council tax support scheme and establish co-operation and share best practice across Leicestershire and Rutland for welfare benefits administration and processing. The objectives of HBBC, and the wider LRWPG project, are to:

- successfully review the current scheme and to implement changes to the scheme, on time and to budget;
- establish appropriate co-operation across Leicestershire councils directly affected by the project, whether or not currently responsible for local council tax support;
- identify and maximise opportunities for county-wide efficiency within the schemes;

- review their schemes with a view to reducing costs on the current schemes whilst meeting established principles i.e. protecting the most vulnerable and incentivising work.

3.5 The following CTS scheme options are modelled against the updated current scheme for working age households.

- Model 1 – Maximum Council Tax Support reduced to 70% for all households
- Model 2 – Maximum Council Tax Support reduced to 80% for all households
- Model 3 – Introducing a band cap at band D, and a capital limit of £6,000

3.6 The schemes were agreed with the council as being relevant for consideration, as part of a coordinated review of the existing LCTS schemes in Leicestershire, with a view to adopting new schemes from 1st April 2017. A reduction on LCTS also interacts with other support offered to households in the area; a list of wider welfare considerations noted in the consultation report is set out at Appendix 1. The options covered below have financial information in relation to the whole of Council Tax for all precepting bodies and are not just in relation to HBBC.

3.6.1 Consultation has been carried out in relation to these options, plus a question on Council Tax Support being reduced to 75% for all households. The majority of respondents (61% for HBBC and 59% for the Leicestershire area) replied they wished there to be no change to the current level of LCTS given. However, there were only 53 respondents for the HBBC area. The potential options have been discussed informally with the other District Council Leaders in Leicestershire who have concluded that there is no appetite from any District Council in Leicestershire to move to a level below 80%, although no figure was agreed.

### **Current scheme and Options**

3.7 The current scheme (2016/17) is modelled on the pre-2013 Council Tax Benefit scheme, but with support capped at 88% for working-age households. All councils must retain this scheme in respect of pensioner households; therefore, modelling for revised schemes is for working age households only. Our current caseload in receipt of LCTS is 5,837 households of which 3,102 are pensioners (who are protected and will continue to receive 100% support), with the remainder of 2,735 working age households will all lose some level of support under either of the reduced schemes.

3.8 The cost of the current scheme is £4.66m, with £1.98m spent on working age households, who could potentially be impacted by changes in LCTS. The remaining £2.68m is spent on pension age households, who are fully protected from any changes in support. Council Tax Liability has been modelled to increase by 3.99% in 2017/18. This will increase the costs of support by 4.1% to £4.88m, or £2.05m for working age households.

### **Model 1 - Maximum Council Tax Support reduced to 70% for all households**

3.9 Council tax support falls on average by £3.32 per week (£172.53/year) for working age households. Looking at the effects of this scheme across different household groups, we observe a few variations. Households living in band C (or higher) properties, private tenants, lone parents and in work households face the highest reduction in CTS, compared to the amount of support they would receive if the current scheme was maintained in 2017/18.

Annual cost of modelled scheme - working age households			
	Scheme Cost	Comparison to uprated current scheme cost	
	£/annum	Change/£ annum	% change
<b>Working age</b>	£1,598,213	<b>-£454,797</b>	-22.20%
<b>Pension age</b>	£2,796,355	£0	0.00%
<b>Total</b>	£4,394,568	<b>-£454,797</b>	-9.90%

3.10 Under this proposal 81 households would be removed from receiving any support. However, a far wider number of households will face reductions in their income as noted above (para 3.7).

### **Model 2: Maximum Council Tax Support reduced to 80% for all working age households**

3.11 Scheme 2 models a reduction in maximum support from 88% to 80% for all working age households. Our analysis finds that, under this scheme, council tax support falls on average £1.49 per week (£77.23 / year) for working age households. Similar to Model 1, households living in band C or higher properties, owner occupiers, couples with children and households that are self-employed will face the highest drops in the level of support received

Annual cost of modelled scheme - working age households			
	Scheme Cost	Comparison to uprated current scheme cost	
	£/annum	Change/£ annum	% change
<b>Working age</b>	£1,849,428	<b>-£203,582</b>	-9.90%
<b>Pension age</b>	£2,796,355	£0	0.00%
<b>Total</b>	£4,645,783	<b>-£203,582</b>	-4.20%

3.12 Under this proposal 33 households would be removed from receiving any support. Again, a far wider number of households will face reductions in their income.

### **Model 3 – Introducing a band cap at band D, and a capital limit of £6,000**

3.13 Council tax falls by an average of 22p per week (£15.37 / year). 36 working age households would lose their support altogether, 25 of them due to the lower capital limit of £6,000. Owner-occupiers living in higher banded properties (E, F, G) are impacted the most. This will need a higher level of administration as it is targeting a subset of households and includes consideration of the level of savings held. This may incur additional costs to the council.

Annual cost of modelled scheme - working age households			
	Scheme Cost	Comparison to uprated current scheme cost	
	£/annum	Change/£ annum	% change
<b>Working age</b>	£2,012,500	-£40,510	-9.90%
<b>Pension age</b>	£2,796,355	£0	0.00%
<b>Total</b>	£4,808,855	-£40,510	-4.20%

- 3.14 Each of the schemes seeks to make savings, but does so to different extents with a corresponding impact on low income households. They are each modelled on the current scheme, which is in turn modelled on the original Council Tax Benefit scheme, retained for pensioners. This helps to ensure each of the proposed schemes can be administered effectively, without significant changes in administration.
- 3.15 There are no protected groups within the scheme itself, but there is a discretionary council tax hardship scheme to support households who may need additional support to pay their council tax. There are 447 lone parents with children under five and 824 households in receipt of ESA, DLA or Carer's Allowance, who may qualify for this type of support.
- 3.16 Migration to Universal Credit has not been included when modelling the specified schemes, as it is unlikely to have a significant impact in 2017/18.
- 3.17 A high level summary of the impact of the three options is given at Appendix 2

### Equality Impact assessment

- 3.18 Part of the considerations of the Council Members in deciding on which option to take is to ensure any decision is balanced and ensures that the financial savings made from changes to the level of LCTS is balanced against the impact on the families and individuals affected. The options noted above have included information on household removed from support under the various scenarios described, and Appendix 1 covers some wider welfare issues.
- 3.19 We have engaged a third party (Policy in Practice) to determine the cumulative impact of welfare reform on each individual household which is currently in receipt of housing benefit or council tax support. The household dataset being considered will cover a range of differing areas, including:
- Household characteristics
  - The impact of Coalition reforms (LHA freeze, under-occupation, £26k benefit cap, council tax support)
  - The impact of major reforms in the current parliament (reduced benefit cap (£23k / £20k), Universal Credit)
  - Reforms affecting new claimants
  - Mitigating measures put in place including the introduction of the National Living Wage, increased income tax allowance, an extra 15 hours of free childcare for 3-4 year olds Details of records that the local authority should investigate further to mitigate the impact of reforms (e.g. Benefit Cap households in work, receiving ESA or households earning below minimum wage), and

- Barriers to work
- Disabilities or caring responsibilities for adults / young children

3.20 **Among other things, the dataset can be used to proactively identify households** negatively impacted by future reforms (e.g. benefit cap or Universal Credit) and identify households affected by current reforms.

### Discretionary Discount Fund

3.21 The discretionary fund will continue to be in place and is used to support those people who will have great difficulty paying council tax. The discretionary fund is a fundamental part of the scheme; it provides districts with the flexibility to assess on a case by case basis requests for financial assistance from people who are vulnerable or suffering from severe financial hardship.

3.22 The discretionary fund also mitigates the potential increase in the number of small bad debts and impact on demand for public services more generally. The Fund will have common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base. The fund is proposed to be cash limited with the option to increase the limit in exceptional circumstances if deemed necessary. The table below gives the most recent information on the amounts set aside for the Discretionary Discount Fund, which dates from 2013/14 and totals £348,114. It is likely that this will need to be more highly funded

	BLA	CHA	HAR	HIN	MEL	NWL	OAD
<b>Billing Authority</b>	£6,543	£11,085	£4,792	£6,151	£3,447	£8,589	£4,201
<b>County Council</b>	£32,759	£67,463	£25,044	£42,981	£18,118	£41,489	£22,046
<b>Leics Fire</b>	£1,644	£3,384	£1,256	£2,157	£910	£2,080	£1,105
<b>Leics Police</b>	£5,358	£11,035	£4,096	£7,027	£2,963	£6,785	£3,606
<b>Total Gross Cost</b>	£46,304	£92,967	£35,188	£58,316	£25,438	£58,943	£30,958

3.23 When the Discretionary Discount Fund it was made clear it would be for those in significant financial hardship. It also noted that applications for Discretionary Council Tax Support (DCTS) should be one of last resort. Applicants will be expected to have explored and secured any lawful entitlement to other benefits, incomes and reductions in preference to claiming DCTS. Applicants will need to ensure they are able to satisfy the Council that they have taken all reasonable steps to resolve their own situation prior to application.

3.24 Of the £58,316 available for the HBBC area, £12,722 has been awarded to the end of September 2016 to applicants able to satisfy the requirements needed to be awarded assistance from this fund.

## 4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report to be taken in open session

## 5. FINANCIAL IMPLICATIONS [AW]

5.1 Contained within the body of the report

## 6. LEGAL IMPLICATIONS [AR]

6.1 The Schedule 1A of Local Government Finance Act 1992 requires all local authorities to consider each financial year whether to revise its Local Scheme for Council Tax. For any changes to the Scheme to have effect in the 2017/2018 financial year the revision must be made by 31 January 2017.

## 7. CORPORATE PLAN IMPLICATIONS

7.1 This report and its outcomes contribute to all the Council aims, but particularly that of "Providing value for money and proactive services".

## 8. CONSULTATION

8.1 The Local Government Finance Bill imposes a duty on billing authorities to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme.

8.2 All authorities within Leicestershire have consulted on plans to make changes to the benefit cap based on the models noted at 3.5 above.

8.3 The different participating councils in the consultation used differing methods to complete the survey of views. HBBC included the option to take part in the survey either on-line or by completing a paper copy which was available on request. A summary of the responses, excluding Leicester City Council, indicate that all district councils the largest response was for "No change" at 59% (970 responses), for HBBC this was also the case at 61% (53 Responses). Leicester City Council responses only covered options for 75% and 70% as the level of support, and 49% of respondents supported "No change". Further detail is in Appendix 3.

8.4 Leicestershire County Council has requested that Districts, as the scheme administrators, give serious consideration to a standard level of support at 70%, as a means of securing the highest possible level of income, most of which will accrue to the County Council. The County Council has given an informal commitment that discretionary funding for 'hardship' would be made available to District Councils. It is for the Members of each District Council to agree the level they feel is most appropriate, taking into account the residual impacts on individuals and families and, therefore, on the consequent increase in demand for our own services.

## 9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The risk in relation to the changes in the level of LCTS is that of unforeseen consequences. As 2,735 working age households will all lose some level of support under either of the two reduced schemes, there is an increased risk they will require alternative support, fall into arrears and generally have less disposable income. The collection rates were report to the FAP Committee in February 2016 as being less than expected, being partially due to reduction in LCTS, and in April 2015 annual collection rates were reported to the same Committee since 2007/08 which indicated a fall in the collection rate following the introduction of the LCTS of around 0.5% compared to the historical level of collection (see table below). This indicates that a further reduction may further reduce the level of council tax collection.

<b>Indicator</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Collection (%)</b>	98.75	98.53	98.61	98.44	97.93	98.00	<i>Target</i>
							98.1

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 The budget process for the LCTS will impact on all areas of the Borough and all groups within the population. Further details on specific impacts are set out in the 'Modelling Report' by Policy in Practice, available as a background paper.

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

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Background papers: Medium Term Financial Strategy, Budget Monitoring Reports, 'Council Tax Support Modelling for Hinckley and Bosworth Borough Council' (Paper from Policy in Practice)

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# Appendix 1

## **Work incentives**

In work support under Universal Credit will be significantly less generous than under the current benefit regime. The Local Government Association (LGA) calculated that even before the Autumn Statement 2015, a third of welfare reform savings would be from the working poor. The authority may wish to consider the effects of possible further hardship to this group together with the effect on work incentives. Particularly vulnerable are the working poor who are also private tenants. This group is likely to migrate to Universal Credit at a faster rate than owner occupiers or social housing tenants. Private tenants show a significantly higher level of change of circumstances, resulting in a new claim and thus hastening migration to Universal Credit.

The self-employed are also likely to be affected by the move to Universal Credit as income will be assessed on the minimum wage rather than actual earnings. For many, this will result in benefit support based on a significantly higher notional income than is actually received by the household.

## **Protection of vulnerable groups**

The LGA has calculated that at least 20% of welfare benefit savings will come from cuts in benefit to the disabled. As the local authority has a statutory duty to support vulnerable adults and children, it may wish to consider the impact on other services if there is further hardship to this group.

## **Tenants**

At least 20% of welfare benefit savings have come from tenants. Currently, three quarters of this amount has been saved from private tenants, mostly through implementation of local housing allowances. The extension of local housing allowances to the social rented sector may see an increase in hardship for tenants in this sector. The LGA calculated that private tenants have already lost about £25 per week in benefits, while the figure for those in the social rented sector is about £14 per week. The authority may wish to consider the hardship implications of reduced support for these groups, particularly if tenants fall within more than one group shown to be especially hard hit by welfare reform. For example, 34% of private tenants receiving Housing Benefit are working and 33% of private tenants are in receipt of DLA/PIP or attendance allowance. The groups that have multiple risk factors will be at significant risk of hardship and non-payment of Council Tax if a CTS scheme reduces support over more than one of these areas.

## **Impact on other discretionary schemes**

Any reduction in CT support is likely to have an impact on other discretionary schemes. There may be more pressure on these schemes with the introduction of LHA to the social rented sector and the roll out of Universal Credit. The reduction in support through CTS should also be considered next to the impact of these changes.

Some of the impact of reduced CTS will continue to be managed through the existing discretionary scheme which has support from MBC, County Council, Police and Fire Authorities and provides targeted support to those in financial hardship.



## **CTS subsidy**

Central government funding for CTS is predicted to fall, meaning that councils will increasingly need to meet scheme costs through other means. Subsidy for payment of CTS was initially set at 90% of forecast expenditure for the year 2014/15. Although funding for council tax support was identified within councils' overall Settlement Funding Assessment figures in 2013/14, from 2014/15 onwards it has not been possible to separately identify the level of funding to each council. A report by the LGA states that "although the government claims that the top level transfer indicates that CTS funding has not been cut further, in practice allocations to councils are reducing."<sup>2</sup> The LGA also calculates that if funding for CTS is reduced in line with overall funding to councils, there will be a reduction of 28% by 2017/3.

## Appendix 2

	<b>Current Scheme</b>	<b>Baseline current scheme (Uprated)</b>	<b>Option 1 (70%)</b>	<b>Option 2 (80%)</b>	<b>Option 3 (Band cap &amp; capital limit £6,000)</b>
<b>Scheme description</b>	The current scheme caps supports for working age households AT 88%	Current scheme (CTS @ 88%) uprated by 3.99% for 2017/18, taking into accounts National Living Wage and Tax allowance	Maximum CTS set at 70% for all working age households.	Maximum CTS set at 80% for all working age households.	CTS limited to properties limited to properties at Band D and below and to households with savings below £6,000.
<b>Total cost of Scheme</b>	£4,658,166	£4,849,364	£4,394,668	£4,645,783	£4,808,855
<b>Support to working age households</b>	£1,982,663	£2,053,010	£1,598,213	£1,849,428	£2,012,500
<b>Estimated CT savings relative to current uprated scheme</b>	N/A	N/A	-£454,797	-£203,582	-£40,510
<b>Estimated CT savings relative to current uprated scheme (%)</b>	N/A	N/A	-9.40%	-4.20%	0.80%
<b>Average annual loss in support, working age (Compared to uprated scheme)</b>	N/A	N/A	-£172.53	-£77.23	-£15.37
<b>Number of households losing support all together.</b>	N/A	9	81	33	36

<b>Overview</b>	N/A	The overall cost of support increases in line with the costs of liability.	Council tax support falls on average by £3.32 per week (£172.53/year) for working age households compared to the uprated scheme. 81 in-work households lose support.	Council tax support falls on average by £1.49 per week (£77.23/year) for working age households compared to the uprated scheme. 33 in-work households lose support.	Council tax fails by 50p per week (£15.37/year), 36 households lose support.
<b>Impacts</b>	N/A	Households in higher banded properties will see the highest increases in CTS, while households in work will see an average loss.	Lone Parents, private tenants and in work households are particularly affected.	Lone Parents, private tenants and in work households are particularly affected.	Owner-occupiers in higher banded properties (Particularly couples with children) are more negatively impacted upon.

## Appendix 3

All responses excluding Leicester City Council

Main options	NO CTS		Receiving CTS		total	
	numbers	No CTS %	numbers	receiving CTS %	numbers	total %
<b>1 - no change</b>	224	23	353	36	577	59
<b>2 - 80%</b>	72	7	104	11	176	18
<b>3 - 75%</b>	53	5	46	5	99	10
<b>4 - 70%</b>	76	8	42	4	118	12
<b>total</b>	425	44	545	56	970	100

Other options	yes	YES %	no	NO %	don't know	Don't Know %	total
<b>Align to HB</b>	370	39	249	26	335	35	954
<b>Restrict to band D</b>	365	41	307	35	210	24	882
<b>Capital £6K</b>	243	48	205	41	58	11	506

### HBBC

main options	NO CTS		Receiving CTS		total	
	numbers	No CTS %	numbers	Receiving CTS %	numbers	total %
<b>1 - no change</b>	31	58	3	6	34	64
<b>2 - 80%</b>	4	8	3	6	7	13
<b>3 - 75%</b>	4	8	0	0	4	8
<b>4 - 70%</b>	8	15	0	0	8	15
<b>total</b>	47	89	6	11	53	100

other options	yes numbers	YES %	no numbers	NO %	don't know numbers	Don't Know %	total numbers
<b>align to HB</b>	18	40	16	36	11	24	45
<b>restrict to band D</b>	24	52	16	35	6	13	46
<b>capital £6K</b>	17	40	23	53	3	7	43